

The Role of Human Capital, Ethnicity and Foreign Markets in Indonesia

Lina Damayanti¹

¹STIE Jaya Negara Tamansiswa Malang

Abstract :

Indonesia has racial and cultural diversity which is its own strength when collaborating in a company. We collected data from 102 companies in Indonesia spread throughout Indonesia. We examine multi-ethnic or racial issues, foreign markets, company size, women's involvement, and gender equality in companies. We analyzed the data using the ARDL model. This study found that racial diversity, women's involvement, gender equality, company size, and international market give color to the company so that the company has the characteristics and uniqueness of the mix of diversity that ultimately improves the company's financial performance. This study finds that diversity is a separate strength for companies in developing their business

Keywords: Human Capital, Ethnicity, Foreign Market, Indonesia

JEL Classification Code : C01,C11,E10,E12

Received: August 6,2021 Accepted: October 1,2021

DOI : 10.54204/TAJI/Vol3120210010

Introduction

Intellectual capital is part of human capital obtained from education (Nahapiet and Ghoshal, 1998). Human capital is a driver of human productivity as a factor of production. The production sector is the real sector in the economy and is the main driver of economic growth (Edvinsson, 2000; Nerdrum and Erikson, 2001).

Human capital does not only have an impact on the domestic economy but also on the international economy. Human capital can develop and improve the economy. Human capital has an impact on international markets with the global economy (Pangarkar, 2008). The global economy brings together various economic activities including market activities. Human capital expands across national borders so that it has an impact on the international economy and international markets. Markets are always related to human social processes so human capital will also have an impact on markets and marketing. Human capital has an impact on improving product quality and selling ability of salespeople because salespeople are human beings who of course have human capital in making sales (Youndt et al., 2004).

The top executive background is very influential on the company's performance, especially related to human capital owned by the top executive in the company. Human capital is very important in decision making and marketing development (Shukeri et al., 2012)

In international business involving human resources of various ethnicities, which have an impact on the diversity of thought and historically, it is necessary to manage human resources and develop human capital according to the needs of the company (Onkelinx et al., 2016). The company's

internationalization process must also be supported by sufficient human capital and multilingual communication skills which are human capital in themselves (Zakery and Saremi, 2020)

Research related to human capital and internationalization, including market internationalization, is rarely discussed in previous studies (Ulubeyli and Yorulmaz, 2019). The influence of ethnic and cultural diversity is also part of human capital because of the local wisdom heritage of each region which has an impact on the decision-making of everyone who joins the company.

Literature Review

Multi-racial companies or having workers with diverse races have a greater income than companies that only employ certain races. This identifies that diversity is a strength and each race has human capital derived from living habits that are potentially useful for companies. Each individual has a different human capital and is very useful for the company. Human capital also includes morals and loyalty which are forces that also have a big influence on the company (Nerdrum and Erikson, 2001; Campbell et al., 2012; Widarni & Bawono,2021).

Human capital needs to be managed properly and human capital also has an impact on the marketing and competitiveness of companies (Firer and Mitchell Williams, 2003). The global network has the advantage in the form of a wider market network and new and better opportunities (Oesterle et al., 2013).

The international market in addition to providing opportunities in the form of a wider marketing network also provides its own challenges ranging from legal differences and so on. A good human model can increase sales and improve the company's image so that companies can gain consumer trust (Kalinic and Forza, 2012).

Data and methods

Indonesia has racial and cultural diversity which is its own strength when collaborating in a company. We collected data from 102 companies in Indonesia spread throughout Indonesia. We examine multi-ethnic or racial issues, foreign markets, company size, women's involvement, and gender equality in companies. We analyzed the data using the ARDL model with the following formulation:

$$FP_t = \beta_0 + \beta_1ME_{t1} + \beta_2Fm_{t2} + \beta_3Cz_{t3} + \beta_4WI_{t4} + \beta_5GE_{t5} + e_t$$

Where FP is Financial performance, ME is multi ethnic, FM is Foreign Markets, CZ is Company Size, WI is women involvement, GE is Gender Equality

Results and Discussion

The following are the results of the ARDL estimation :

Regressor	Dependent Variable FP			
	Coef.	SE	t-Ratio	Prob
Long Run Estimation				
ME	0.1281	0.0815	1.2416	0.0022
FM	0.1322	0.0452	1.7173	0.0018
CZ	0.1361	0.0952	1.3378	0.0008
WI	0.1882	0.0852	0.9181	0.0007
GE	0.1783	0.0857	0.8371	0.0008

Short Run Estimation	Coef.	SE	t-Ratio	Prob
ME	0.1265	0.0737	1.1475	0.0021
FM	0.1731	0.0627	1.3224	0.0011
CZ	0.1782	0.0816	1.3357	0.0006
WI	0.1761	0.0882	0.9292	0.0007
GE	0.1552	0.0779	0.8523	0.0008

From the estimation, it can be seen that all positive variables are significant on financial performance. Gender equality, women's involvement, racial diversity, company size and international market are unique strengths for the company because each individual gives color and uniqueness to the company, thereby increasing competitiveness and public trust and increasing marketing networks from various ethnicities..

Conclusions

This study found that racial diversity, women's involvement, gender equality, company size, and international market give color to the company so that the company has the characteristics and uniqueness of the mix of diversity that ultimately improves the company's financial performance. This study finds that diversity is a separate strength for companies in developing their business

References

- Campbell, B.A., Coff, R. and Kryscynski, D. (2012). Rethinking sustained competitive advantage from human capital. *Academy of Management Review*, 37 (3), 376-395.<http://doi.org/10.5465/amr.2010.0276>.
- Edvinsson, L. (2000). Some perspectives on intangibles and intellectual capital 2000. *Journal of Intellectual Capital*, 1 (1), 12-16.<http://doi.org/10.1108/14691930010371618>.
- Firer, S. and Mitchell Williams, S. (2003), "Intellectual capital and traditional measures of corporate performance", *Journal of Intellectual Capital*, Vol. 4 No. 3, pp. 348-360, doi: 10.1108/
- Kalinic, I. and Forza, C. (2012). Rapid internationalization of traditional SMEs: between gradualist models and born globals. *International Business Review*, 21(4), 694-707. <http://doi.org/10.1016/j.ibusrev.2011.08.002>.
- Nahapiet, J. and Ghoshal, S. (1998), "Social capital, intellectual capital, and the organizational advantage", *Academy of Management Review*, Vol. 23 No. 2, pp. 242-266, doi: 10.5465/AMR.1998.533225.
- Nerdrum, L. and Erikson, T. (2001). Intellectual capital: a human capital perspective. *Journal of Intellectual Capital*, 2 (2), 127-135. <http://doi.org/10.1108/14691930110385919>.
- Oesterle, M.-J., Richta, H.N. and Fisch, J.H. (2013), "The influence of ownership structure on internationalization", *International Business Review*, Vol. 22 No. 1, pp. 187-201, Pergamon, doi: 10.1016/J.IBUSREV.2012.03.007.
- Onkelinx, J., Manolova, T.S. and Edelman, L.F. (2016), "The human factor: investments in employee human capital, productivity, and SME internationalization", *Journal of International Management*, Vol. 22 No. 4, pp. 351-364, Elsevier Inc., doi: 10.1016/j.intman.2016.05.002.

- Pangarkar, N. (2008). Internationalization and performance of small- and medium-sized enterprises. *Journal of World Business*, 43 (4), 475-485, <http://doi.org/10.1016/j.jwb.2007.11.009>.
- Shukeri, S.N., Shin, O.W. and Shaari, M.S. (2012). Does board of director's characteristics affect firm performance? Evidence from Malaysian public listed companies. *International Business Research*, 5 (9),120-129. <http://doi.org/10.5539/ibr.v5n9p120>.
- Ulubeyli, S. and Yorulmaz, D. (2019), "Intellectual capital based reputation for market internationalization: the case of engineering consultancy firms", *Journal of Intellectual Capital*, Vol. 21 No. 1, pp. 40-61, doi: 10.1108/JIC-01-2019-0010.
- Widarni,E.L, Bawono,S.(2021).The Comparison of Foreign Financial Investment and Human Investment Effect on Economic in Indonesia Base on Macro Economic Point of View.Studies of Applied Economics,39(12),1-14.<https://doi.org/10.25115/eea.v39i12.6006>
- Youndt, M.A., Subramaniam, M. and Snell, S.A. (2004), "Intellectual capital profiles: an examination of investments and returns", *Journal of Management Studies*, Vol. 41 No. 2, pp. 335-361, John Wiley & Sons, Ltd, doi: 10.1111/j.1467-6486.2004.00435.x.
- Zakery, A. and Saremi, M.S. (2020), "Knowledge and intellectual capital in internationalizing SMEs, case study in technology-based health companies", *Journal of Intellectual Capital*, ahead-of-print. doi: 10.1108/JIC-02-2020-0048.